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ORF

OFF - comments?

15 April 1981

Dear Mr Hormats,

Enclosed for your information is a copy of a note formally delivered to the Department on export disposal sales of surplus dairy products by the United States.

Yours sincerely,

A.C. Cranston
Minister (Commercial)

c.c. Mr Harry Kopp
Mr Michael Calingaert
Mr Anthony Albrecht
Mr Frank Bennett

Enc.

Mr Robert Hormats,
Assistant Secretary,
Bureau of Economic and Business Affairs,
Room 6828,
Department of State,
WASHINGTON, D.C. 20520.

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY _____ DATE 4/14/84
RDS ☐ or XDS ☐ EXT. DATE _____
TS AUTH. _____ REASON(S) _____
ENDORSE EXISTING MARKINGS
DECLASSIFIED ☐ RELEASABLE ☑
RELEASE DENIED ☐
PA or FOI EXEMPTIONS _____

The Embassy of New Zealand presents its compliments to the Department of State and has the honour to refer to the recently announced sale of surplus dairy products by the United States to Poland.

The Department of State will recall that during his visit to Washington in February, the New Zealand Minister of Foreign Affairs and Overseas Trade drew attention to New Zealand's concerns regarding the subsidised disposal on international markets of surplus agricultural products produced by current domestic price support levels. New Zealand is particularly concerned about the current rapid build up of surplus stocks of dairy products in the United States and the pressures developing to move these on to the international market. The subsidised export disposal of surplus dairy products by major producing countries such as the United States can have a profoundly detrimental impact on permanent unsubsidised suppliers such as New Zealand. This is especially so now that the European Community has achieved a substantial reduction in its stock of dairy products which in turn has assisted materially to restore stability in the international market and has led to a significant price recovery therein for dairy products generally.

The international market for dairy products is very small relative to milk production in major producing countries including the United States. Demand is relatively insensitive to price changes. It is not capable of absorbing large quantities of product temporarily in surplus. The principal effect of such disposal is to depress prices and

/hold them

hold them below the level required to sustain permanent and unsubsidised market suppliers such as New Zealand.

New Zealand recognises the interest the United States has, as an unsubsidised exporter of a wide range of agricultural products, in controlling the dumping of surpluses on international markets. It is New Zealand's hope that these wider interests, taken together with the United States' obligations under the GATT with respect to the use of subsidies, will lead the United States to oppose, and itself limit, such practices on a consistent basis.

New Zealand positively supports the distribution of surplus food products to needy countries under properly constituted food aid programmes. There are established and internationally agreed procedures for notification and consultation on food aid transactions through the FAO Committee on Surplus Disposals. In New Zealand's view, if surplus disposal operations are to be viewed as the provision of food assistance, the FAO:CSD procedures should be followed in order to ensure that there is no disruption to normal commercial trade.

New Zealand recognises that unique and special circumstances attended the recently announced disposal sale of surplus butter and nonfat dried milk to Poland. These circumstances do not however apply to Romania which is a regular producer and trader in dairy products well accustomed to paying the current commercial prices. Similarly, recent subsidised sales of nonfat dried milk to Mexico can be considered as something of a special case provided U.S. sales are made at recognised international price levels and New

these wider interests, taken together with the United States' obligations under the GATT with respect to the use of subsidies, will lead the United States to oppose, and itself limit, such practices on a consistent basis.

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/The Embassy

The Embassy of New Zealand avails itself of this opportunity to renew to the Department of State the assurances of its highest consideration.

Embassy of New Zealand,

WASHINGTON D.C.

14 April 1981

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